

City of Durham
FY 2011 Budget Development Guidelines
March 18, 2010

INTRODUCTION

The national economic downturn continues to challenge our community. The State continues to be similarly impacted and therefore, budget reductions have been ordered by the Governor for State programs. Despite the negative outlook, Durham appears to be weathering the storm better than many communities in North Carolina and throughout the United States. Nevertheless, the financial crisis requires significant action to balance the projected available resources against expenditures.

The two largest sources of revenue to support General Fund operations are local property taxes and local sales taxes. Based on current economic trends, residential real estate and personal property tax growth are expected to experience a slight growth, sales tax revenue will remain flat, and overall City revenue growth will remain flat for FY 2011. As a result, increases in City spending must continue to be limited in FY 2011, and possibly for one to two years beyond. Accordingly, the City Council directs the City Manager to develop a budget for Fiscal Year 2011 that limits increases to what is needed to accommodate population growth and cost factors, and clearly identifies funding requirements driven by State and/or federal mandates and major City initiatives. The City Council recognizes that given the limitations for FY 2011 and beyond, the FY 2011 budget may require additional reductions in or eliminations of service and directs that the City Manager to begin to review and evaluate where the City should focus such adjustments consistent with the City Council's priorities.

The City must use a balanced approach to balancing the budget by assessing revenue enhancement opportunities and cost containment. For FY10, the General Fund budget was reduced by approximately \$9,000,000. The FY11 Budget must determine the required investment to preserve priority programs and services.

In order to balance the factors outlined above, the City Manager shall use the following Budget Development Guidelines in the preparation of the FY 2011 Proposed Budget.

REVENUES

- Increase in the **property tax rate** will be considered for increases in debt service costs for voter approved general obligation bond debt, employee pay and benefits cost adjustments, new directed programs, enhanced services and funding to replace non-recurring ARRA funding for core services.
- A **dedicated street resurfacing fund** utilizing a specified portion of the increased tax rate will be considered, to provide pay-as-go funding or to cover debt service payments for voter approved debt, in the multi-year financial plan for either FY 11 or FY12.

- The tax revenue allocation to the **downtown fund** will be proposed at a level to cover existing obligations and other obligations currently funded by other General Fund sources.
- General Fund projected **fund balance** will remain at no less than 12% at the end of FY11. Projected general fund balance over 12% may be considered for one-time (non-recurring) expenditures.
- Non-recurring funds shall not be directed toward recurring uses.
- Conduct a review and discuss opportunities for **fee** adjustments in the following areas:
 - Parking charges
 - Solid waste fees
 - DATA fares
 - Parks and recreation fees
 - Fire administration fees (medical response)
- Proposed **water and sewer rate** increases will not exceed an average of 8% consistent with the previously approved rate model.
- Proposed **stormwater rate** increases will not exceed 9.3% for National Pollution Discharge Elimination System (NPDES) for required monitoring, maintenance and watershed plan implementation.

DEBT

- Total **debt service** funded through the General Fund revenue sources will not be projected to exceed 15% of General Fund appropriations.

EXPENDITURES

In order that expenditures are balanced against forecasted revenue reductions, the City Manager shall continue focused discussions with City departments regarding **program and service** priorities, possible areas for elimination, reduction, reorganization, and/or alternative service delivery models that provide the opportunity to address the performance and efficiency of City programs.

- Program or service level reductions should be considered to balance budget.
- Program and service level prioritization shall be established within each department.
- Program and service reductions may result in elimination of authorized positions, reductions in force or employee furloughs within departments, as appropriate, based on service/demand.

- Employee **pay and benefits** are a substantial portion of the City's overall cost of operations. The following compensation components will be evaluated with appropriate adjustments proposed including one-time lump sum payments:
 - Pay for Performance (P4P) pay plan for general employees.
 - Police and Fire pay plans
 - Supplemental Retirement -401K (excluding sworn Police)
 - Medical and Dental insurance – the priority will be to limit increased costs for the City and employees.
- Funding for **neighborhood revitalization** will be maintained at the FY10 level of \$750,000 with an aggregate not to exceed \$1,200,000.
- Funding for **deferred maintenance** will be maintained at the FY10 level of \$500,000 with an aggregate not to exceed \$1,000,000.
- The **non-city agency (NCA)** program will be evaluated to determine an appropriate overall level of funding.
- **Public transit services** including consideration of new routes such as the downtown connector and fare free services options should be evaluated.
- **Fleet** funding will be maintained to cover the cost to replace vehicles not to exceed \$1,000,000 for replacements for the General Fund.
- **New positions** will only be funded for a partial year when warranted by the timing of the actual operational impact on the budget.
- Funding for the reinstatement of the **new street light program** will be at a minimum of \$110,000.